22 POLICY QUESTIONS ABOUT HEALTH CARE FINANCING IN AFRICA

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INTRODUCTION

Financing health care is a prominent political issue and a priority for the health sector throughout the world. In industrial nations, reform has focused mainly on containing costs. In developing countries, reform has been motivated by growing demand for better health care at a time when government, faced with shrinking resources, can no longer honor its traditional commitment to provide "free" care for all.

In sub-Saharan Africa, debate revolves around ways of improving the sustainability, equity, and effectiveness of health care services. Also under discussion are the impact of health financing reforms on efficiency, quality of care, access by the poor, and the respective roles of public and private providers.

Five *Topics* group 22 policy questions that ministries of health (MOHs)in sub-Saharan Africa most commonly ask about health financing reform. The answers summarize what is known about the impact and effectiveness of reform, based on experience and research in African countries. Each *Topic* is intended to be a brief, non-technical reference on the "state of the art" for senior decision-makers, health care analysts, program planners, and facility managers. For readers who want more detail, each *Topic* closes with an alphabetically numbered list of *References.* Numbers enclosed in brackets at the end of paragraphs refer to one or several entries.

Each *Topic* begins with an overview of the theme covered, highlighting the relevance and context of the policy issue(s) addressed. Since the key policy questions and answers are arranged by theme, readers may select areas of greatest interest — in any order. Because goals, policy questions, and experience of health financing reform are interrelated, however, readers may wish to skim all of the topics for a full range of information on any issue.

These issue briefs are available in English and French. To receive more copies of a single Topic or the complete set contact:

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Topic 1

HEALTH FINANCING REFORM POLICIES, GOALS, STRATEGIES

TOPIC 1. POLICIES, GOALS, STRATEGIES

Health financing reform policies, broadly defined, involve alternative arrangements for paying for, allocating, organizing, and managing health resources. In sub-Saharan Africa, health financing reforms are often grouped into three broad strategies:

- raising revenue through cost recovery techniques (e.g., user fees, various kinds of private or community-based social financing, and insurance plans)
- improving allocation and management of existing health resources
- increasing the role of the private sector in predominantly government-based health systems.

As the table below shows, these strategies have both primary and secondary goals, or impacts. For example, raising revenues through user fees may be undertaken primarily with the goal of promoting financial sustainability. User fees also have an impact — and can be designed deliberately to have the desired impact — on ministry of health (MOH) goals for equity, access, efficiency, and quality. (See *Topics* 3 and 4.)

For example, MOHs usually want to raise revenue to make some kind of quality improvement. It could simply be to assure that a minimum complement of drugs and supplies are made available or that facilities are better maintained. Similarly, most fee and insurance reimbursement structures will affect: utilization of different kinds of health services (e.g., curative vs. preventive) at different levels of the system (e.g., hospital vs. health center); how efficiently providers use resources; and whether consumers spend their money for health in a cost-effective way. Furthermore, the introduction or increase in user fees or insurance reimbursement is likely to have different impacts on different population groups, hence on equity of financial and geographical access.

Table 1-1: Health Sector Financing Reform: Goal, Purposes, Strategies

GOAL:IMPROVE HEALTH STATUS		
STRATEGY (Technique)	**PRIMARY PURPOSE**	**SECONDARY PURPOSE OR IMPACT**
Raise revenue (e.g., user fees; insurance)	Financial sustainability	Equity Access Efficiency Quality
Reallocate resources (e.g.,increase MOH budget share for PHC; reduce government subsidies for hospitals; shift HIV/AIDS treatment out of hospitals)	Efficiency and Cost-effectiveness	Equity Quality Financial Sustainability
Develop alternative organization of service delivery resources (e.g., increase role of private providers; establish HMOs; involve employer-based health providers)	Efficiency	Access Financial sustainability

Predominant Financing Strategies

Faced with inadequate and declining government funding for ministry of health services, many African ministries have recognized they cannot meet their traditional commitment to provide a basic level of health care, free of charge, to the whole population. They also recognize limitations in their governments' ability to raise general tax revenue, as well as the unlikelihood of continued and substantial amounts of external donor assistance for health care.

Most sub-Saharan African countries have thus concentrated primarily on the first of the reform strategies that the chart lists—raising revenues from non-tax sources and modifying the way health services and medicines are funded. They have adopted policies to shift from full government funding by MOH budgets to partial cost recovery for publicly provided health services. The most common cost recovery technique that ministries have adopted is user fees for services, medicines, or

Complementary Strategies

Health financing reforms related to the other two main strategies — allocating, organizing, and managing health resources (health personnel, equipment, medicines, facilities, and funds) and developing alternative organizational forms, including expanded roles for private providers— are designed to improve the efficiency and effectiveness of a country's health system. These reforms complement and support revenue-raising efforts by helping to make the best use of scarce resources, thereby reducing the need for new resources. These complementary reforms have been less widespread than cost recovery reforms and are just recently receiving strong attention.

For example, some ministries have tried to find more cost-effective ways to deliver individual priority services (e.g., immunization; malaria prevention and control; management of acute respiratory infections [ARI]), but few have attempted to implement systemwide efficiencies. Some efforts to reallocate funds from hospitals to primary health care have been made, but little attention has been given to targeting resources directly to the poor and high-risk groups, instead of making all government health resources equally available to the entire population.

Non-profit health providers flourish in some countries with little or no government assistance and receive large government financial subsidies in others, while legal and other constraints inhibit their operation in still others. Financing reforms that would identify and foster appropriate roles for private for-profit health care are among the least developed.

It is important to keep in mind that other, broader organizational and institutional reforms and strategies are needed to complement and support the technical financing reforms that this brief addresses. These broader strategies — such as civil service reform, decentralization, strengthening management capacity, building political consensus on priorities, overcoming bureaucratic constraints — are needed to address the variety of organizational and political obstacles that health financing reform faces.

Common Financing Reform Issues

Considering the substantial shift that this array of financing reform strategies would entail for the public health systems of many African countries, ministries typically raise several issues:

> What financing reforms are needed?

> What approaches have been tried and been successful?

> How can financing reforms help achieve other goals of the public health system?

Topic 1 provides an overview of what is known about these issues. Other *Topics* give further details on country experience and specific aspects of overall health financing strategies and assess their impact on key ministry goals.

QUESTION 1: What health financing reforms are needed to improve the sustainability and performance of African health systems?

IN BRIEF: To address the multiple financing and related organizational issues confronting African health systems, a combination of measures is usually necessary to raise revenues, allocate resources more efficiently and effectively, consider alternative roles for the private sector, and target public resources more equitably.

What performance problems need to be addressed?

Many ministries of health, service providers, and researchers have identified characteristics that lead to poor performance in African health systems. These characteristics include insufficient funding, inefficient use of available resources, inadequate allocation of health resources to cost-effective health services, lack of incentives for health workers to provide quality care, inadequate regulation or inappropriate barriers to private provision of health care, inequitable distribution of resources

> adapt commonly proposed techniques to each country's specific set of performance problems, consumer preferences, configuration of public and private sectors, and priority health issues.

Each strategy includes a variety of techniques: various types of simple and complex fee structures; different combinations of fees to give consumers incentives to use services appropriately; various combinations of pricing mechanisms, cost-savings, and resource reallocation to expand resources for primary and preventive care services and make hospital services more efficient and effective; subsidies, tax incentives, and legal and regulatory codes to channel use of private health providers' services in the interests of public health goals. These techniques need to be adapted to each country's particular situation, and no single effective model exists for using them.

Details on country experience and options within each of these strategies are furnished elsewhere in this document. To be sure, technical strategies and techniques alone cannot guarantee sustainability or improved performance. Equally or more important are political, institutional, and management considerations related to consensus-building and implementation.

QUESTION 2: What approaches to health financing reform have countries tried? What has worked?

IN BRIEF: Cost recovery through user fees is the main financing reform attempted by ministries of health in Africa. Since cost recovery reforms rely on people's willingness to pay

How do ministries actually begin reform?

Ministries usually need to begin by choosing an appropriate package of strategies and introducing them in some phased manner. Most African countries have started off with revenue-raising strategies through user fees for primary health care services and medicines at the health center and post level—as in the 13 countries implementing Bamako Initiative projects in one or more health districts. Others have begun reform with concerted cost recovery efforts for inpatient hospital services (e.g., Niger, Central African Republic, Burundi, Kenya, Malawi). Most countries have not attempted to engage simultaneously in strategies for cost recovery at every level of the health system, along with major changes in resource allocation, efficiency improvements, and increased involvement of private sector providers.

What have ministries of health learned about implementing reforms successfully?

Even when cost recovery is a ministry's main strategy, experience shows that these initiatives are complex and several components are needed for "success." Various measures of "success" can be used, but key indicators usually relate to amounts of revenue raised; use of revenues to achieve the intended goals (e.g., quality improvements, expanded access); and impact on use, especially for the poorest or high-risk groups. Cost recovery in sub-Saharan African countries shows that chances of success, as measured by these indicators, are improved by:

- introducing fees simultaneously with quality improvements, especially assuring drug availability and ploughing fee revenues back into quality improvements that satisfy patients and keep them coming back
- establishing clear cost recovery objectives, understanding the people's demand and use patterns, and planning the fee structure, exemption policy, and measures to cover costs of care to the indigent
- designing fee structures to encourage efficient use of services first at the lowest appropriate level, reinforce appropriate referral patterns, signal the cost of different kinds of health services, and promote use of cost-effective and preventive care
- avoiding common pitfall such as failing to keep fees up to date, allowing too many exemptions, failing to collect from government for services provided to beneficiaries of government health plans or social assistance programs (e.g., civil servants, students, the military, indigents)
- maintaining, rather than decreasing, the government's contribution to health facilities implementing cost recovery so that fee revenues are a net addition to resources
- providing workers responsible for fee collection with appropriate incentives

- allowing facilities to retain most or all of the collected fees for improvements at the collecting facility (e.g., to restock medicine supplies, pay for medical and office supplies, improve the building, pay personnel performance bonuses)
- providing some means of pooling a small portion of each facility's fee revenue at the district or regional level as a "solidarity" fund for common costs or redistribution to health facilities with the least viable cost recovery conditions
- conducting significant training and orientation for health workers and establishing appropriate financial management and accounting systems
- building political consensus and providing appropriate and extensive public information about fee levels, use of revenues, and goals of the cost recovery program.

These preliminary lessons have been culled from ongoing local or regional cost recovery experiments (e.g., Cameroon, Niger, Senegal, Swaziland, Ghana), from numerous Bamako Initiative projects (e.g., in Guinea, Benin, Nigeria), as well as from several national health financing reform efforts (e.g., the Central African Republic, Kenya, Zimbabwe). Many of these lessons have been learned the hard way: from having had to make mid-course corrections on initial efforts. No single country has developed a "model" for all, and every country is still learning and needs to make periodic adjustments.

QUESTION 3: How can health financing reforms help achieve other public health goals?

IN BRIEF: Health sector reforms designed to promote financial sustainability can also improve quality, access, equity, and effectiveness of health services. They can do this by making better use of existing government resources, assuring that additional revenues are used to maintain quality improvements, creating incentives for people to allocate their health spending more effectively, and targeting government subsidies to the poorest.

How can health financing reform improve health services?

Mobilizing additional resources to promote financial sustainability is a primary objective of health financing reforms. When well-designed, implemented, and including improved resource allocation and management, health financing reforms can also help African ministries of health to accomplish a variety of other important policy goals. Well-designed packages of health financing reforms can help to:

- improve quality of and access to public health services by making funds available to assure supplies of essential drugs, fuel for refrigerators to preserve medicines and vaccines, facility maintenance, and transportation for health worker supervision, outreach, and mobile services
- improve equity by asking individuals who can afford health services to pay for them, saving public monies for subsidies to people who cannot pay
- send price signals that encourage use of preventive and primary health care and generic drugs, thus helping households to get the best value and perhaps save money on health services
- increase efficiency and effective use of central government hospitals by improving cost recovery mechanisms, establishing health personnel performance incentives, and considering greater financial and managerial autonomy for hospitals to manage their resources better
- increase service availability and efficient use of government funds by encouraging a greater role for private health providers
- improve health status of the population by creating incentives for both governments and people to reallocate health spending to more cost-effective services.

What is the main rationale for financing reform?

Achieving these and related health policy goals, and promoting financial sustainability, is the primary rationale for health financing reforms. Financing reforms are most effective and best justified when designed to further health ministries' main public policy goals and health status improvements. This broader rationale is another reason that neither revenue raising goals nor cost recovery strategies should stand alone in financing reform efforts. User fee systems need to be designed to improve efficiency and equity and raising enough revenue for sustainability. And better resource allocation and targeting of government subsidies are needed in conjunction with cost recovery to realize the full benefit of improved financing strategies.

TOPIC 1 REFERENCES

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